THE ECONOMIC IMPACT OF TOURISM
ON THE VILLAGE OF
BADDECK, NOVA SCOTIA

Policy and Planning Division
Nova Scotia Department of Development

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The Department of Development
wishes to express its thanks
to the private sector
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I HIGHLIGHTS

Economic Impacts

- Incremental revenue due to tourism, as gleaned from the respondents to the business expenditure questionnaire, is 45 percent of gross revenue.

- Of the respondents surveyed, direct household income is $698,000, which in turn generates nearly $2.0 million in total household income throughout the province. This implies a robust income multiplier of 2.84.

- The tourist industry in Baddeck produced 162 direct seasonal jobs; translated into 48 incremental person years, or 34 percent of the total full time employment for the business surveyed.

- The incremental full time employment created by tourism in Baddeck produces another 17 person years of employment throughout the Province. A total of 65 person years of employment is generated in Nova Scotia as a result of the businesses surveyed in Baddeck. This represents an employment multiplier of 1.35.

Future Tourism Development

- There was widespread agreement by officials of the village that the tourism industry is of vital importance to the economic health of the community.

- Planned and co-ordinated tourism development should occur, with emphasis on providing more for the tourist to 'see and do'.

II INTRODUCTION

The objective of the following study is to assess the economic impact to the village of Baddeck, Nova Scotia of expenditues arising from the Tourism industry.

This analysis of Baddeck follows a previous pilot study on the town of Parrsboro, N.S., which serves as the template for this study. These studies have been commissioned by the Voluntary Planning Tourism Sector Committee on request by the tourist operators and officials of the municipalities involved.

The rationale for performing these tourist industry economic impact studies is to provide the industry members with the quantitative data necessary to accurately present their case within particular municipalities.

The scope of the Baddeck study is focussed on determining the impact of tourism dollars on the local economy of Baddeck and the Nova Scotia economy in general. Measurable parameters include incremental household income and employment generated.

III PROFILE OF BADDECK

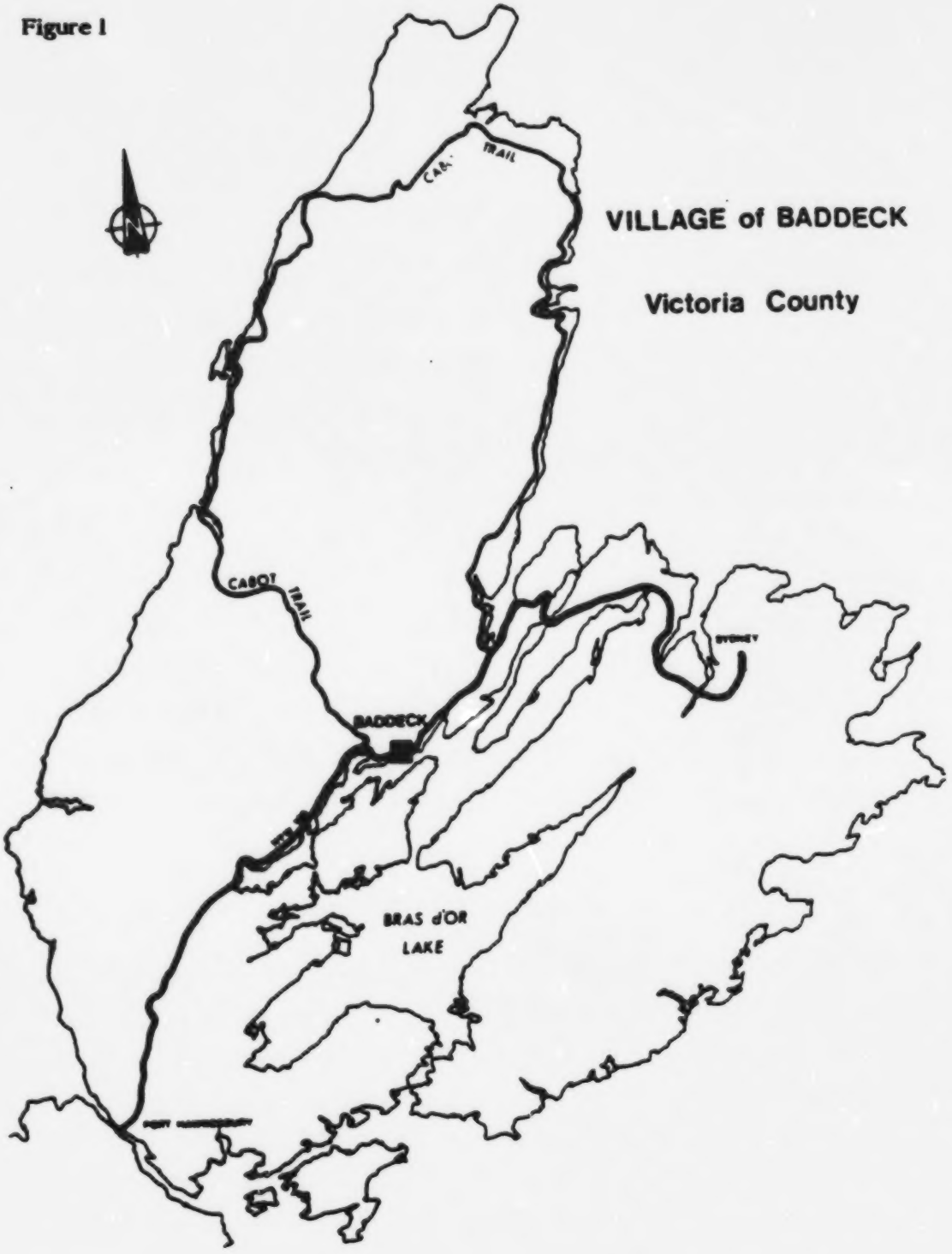
A. GEOGRAPHY AND ENVIRONMENT

The village of Baddeck, Nova Scotia is situated midway between Port Hawkesbury (97 km) and Sydney (80 km) on the Western shore of the Bras d'Or Lake, and strategically located at the southern tip of the Cabot Trail. (See Fig. I).

Baddeck, situated in a hillocked and forested landscape, is nearly 1.0 square mile in size and has approximately 1 1/4 miles of waterfrontage on the St. Patrick's Channel. The channel is part of the Bras d'Or lake system and is a navigable waterway accommodating lake freighters. The channel flows into the open waters of the Atlantic.

During the summer months, the weather at Baddeck is influenced by its proximity to the Bras d'Or Lake system, which at times provides for cool breezes and morning fog. The yearly mean minimum and maximum temperatures in the village are 2.2°C. and 10.6°C., respectively. The mean yearly percepitation, gathered over a thirty year period, is 1,062.9 mm of rain and 217 cm of snow, or approximately 1,321.1 mm of equivalent precipitation. The yearly provincial range, in equivalent precipitation, averages 1,100 to 1,600 mm.

Figure 1



Source: Municipality of the County of Victoria, Village of Baddeck, Planning Strategy.

B. Demographics

The population of Baddeck is approximately 972 (1981), essentially unchanged since 1976.

With the present economic slow down in the Cape Breton region as a whole, it is reasonable to expect the continuation of a low rate of population growth.

Approximately 40 percent of the Baddeck population is in the 35 - 65 age category, with no one age group predominating.

The average annual household income in the Baddeck area in 1981 was approximately $18,641, the average for Victoria County was $17,420.

C. Economic Base

Labor Force

Table 1 highlights the labor force activity in the Baddeck area (1981) and Table 2 presents labor force by occupation (1981).

In 1981, the unemployment rate in the Baddeck area was 18.9 percent. The current rate can be assumed greater given the slowdowns in the local primary sector (forestry) and the overall decline of the Cape Breton economy.

TABLE 1: Labour Force Activity, Baddeck area 1981

	Males	Females	Total
Population 15 years and over	1,750	1,720	3,470
• in the labour force	1,150	780	1,930
• employed	970	595	1,565
• unemployment	180	185	365
Participation rate (%)	65.7	45.3	55.6
Unemployment rate (%)	15.7	23.7	18.9

Source: Statistics Canada

The extent of the Baddeck area labor force involvement in the service and sales sector (Table 2) is approximately 23 percent of total employment, ranking it as the major employment category for the area.

D. Tourism

The development of the tourism industry in Baddeck has resulted primarily from the strategic location of the village, often considered as the start and end of the Cabot Trail. This locational advantage is enhanced by other synergistic factors such as the scenic beauty of the area, the proximity of the Bras d'Or Lake system, the village's Scottish culture and heritage, as well as its international historical significance, e.g. home of Alexander Graham Bell.

TABLE 2: Labour Force by Occupation Groups, Baddeck area, 1981

	Male	Female	Total	% of Baddeck Labour Force
Managerial, administrative and related	85	45	130	6.7
Teaching and related	35	65	100	5.2
Occupations in medicine and health	15	105	120	6.2
Technological, social, religious, artistic and related	85	35	120	6.2
Clerical and related	35	145	180	9.3
Sales occupations	**70**	**70**	**140**	**7.3**
Service occupations	**105**	**195**	**300**	**15.6**
Primary occupations	195	25	220	11.4
Processing occupations	45	10	55	2.8
Machining, product fabricating, assembly and repairing	105	10	115	5.9
Construction trades	210	0	210	10.9
Transport equipment operating	115	0	115	5.9
Other	45	45	90	4.7
Not applicable	10	20	30	1.6
Total Labour Force	**1,150**	**780**	**1,930**	**100.0**

Source: Statistics Canada

Baddeck serves as the largest commercial and service center between Port Hawkesbury and Sydney. During the summer months Baddeck is bustling with activity, as witnessed by the degree of the traffic congestion during the peak of the tourist season. The tourist activity is not limited to the summer months, the season is extended as visitors tour the Cabot Trail to view the fall color spectacle (mid-September to mid-October).

Table 3 highlights the degree of tourist activity as recorded by visits to the Baddeck tourist bureau during the 1984 and 1985 seasons. Relative to 1984 figures, the 1985 records show a 10.5 percent increase in visits to the bureau. The majority of visits to the tourist bureau are coming from other parts of Canada (52 percent) and from the U.S. (37 percent), this proportion has remained fairly constant since 1983.

TABLE 3: Visits to Baddeck Tourist Bureau, May 23 - Sept. 8, 1984 & 1985

	May	June	July	Aug.	Sept.	Total No.	Total %
Nova Scotia	20	89	398	234	20	761	10.0
Rest of Canada	8	278	2,022	1,554	89	3,951	51.8
United States	10	242	1,178	1,305	65	2,800	36.8
Other	6	11	40	39	5	101	1.3
Total 1984	**44**	**620**	**3,638**	**3,132**	**179**	**7,613**	**100.0**
Total 1985	**108**	**731**	**4,028**	**3,544**	**200***	**8,411**	**--**

*Approximation

Source: Baddeck Tourist Bureau

Traveller accomodations in the Baddeck area (Table 4) have remained constant in recent years. There were approximately 413 rooms available in 1984, or 52 percent of the total figure for Victoria County.

TABLE 4: Tourist Accommodations, Victoria County, 1984

	Hotel Rooms	Motel Units	Guest Home Rooms	Cottage & Cabins	Total
Baddeck	--	**287**	**109**	**17**	**413**
Bras d'Or	--	48	14	4	66
Breton Cove	--	--	4	--	4
Cape North	--	12	7	7	26
Indian Brook	--	--	5	--	5
Ingonish	--	--	8	9	17
Ingonish Beach	32	40	43	33	148
Ingonish Centre	--	43	--	35	78
Iona	--	26	--	--	26
St. Ann's South Gut	--	8	4	--	12
Total	**32**	**464**	**194**	**105**	**795**

Source: Victoria County Statistical Profile, Nova Scotia Department of Development, June, 1985.

IV ECONOMIC IMPACT

A. INTRODUCTION

Economic impact analysis involves the detailed accounting of employment and household income generated by a given project. In this study, we have attempted to measure the direct economic impact of the tourism industry on Baddeck, and provide an estimate of spinoff impacts on the provincial economy arising from tourism in Baddeck.

B. METHODOLOGY

1. Survey

Detailed information on expenditures, sales and employment is necessary to ensure a valid and accurate economic impact analysis. To ensure the best possible product, the data must be collected in a consistent and rigorous manner. For this study, a survey of service sector firms was carried out to collect the needed information (see Appendix B).

The questionnaire asked the respondents to outline expenditure, sales and employment information for the 1984 business year. Further, the respondents were not only asked to consider their operations for the entire year, but were also asked to isolate the sales and employment they would attribute solely to tourism. In so doing, it is possible to assess the incremental impact of the tourism industry over and above other business activity.

The questionnaires were administered to Baddeck businesses by a researcher during the summer of 1985. Of the 32 businesses targetted for the survey, there were 24 respondents. Of these, 18 respondents provided the detail necessary to carry out the analysis. Hence, the results obtained reflect the activities carried on by the 18 respondents only.

2. Input-Output System

The major tool used in economic impact analysis is the 1979 Nova Scotia Input-Output System. The input-output system describes the structure of the Nova Scotia economy and the interdependence of, or linkages between, the industries that make up the economy. A powerful property of the input-output system is that it can measure the economic impact of expenditures (in this case, tourist related) on employment and household income in the provincial economy. The input-output system assesses the impact of an industry on employment and household income as generating three distinct, additive effects:

- direct effect: local project expenditures for labor, goods and services;
- indirect effect: arises from purchases made by local firms/industries that supply the direct activity; accounts for inter-industry linkages;
- induced effect: arises from successive rounds of respending household income generated by the direct and indirect effects.

Frequently, the indirect and induced effects are aggregated and collectively referred to as spinoffs.

On the basis of the information received from the 18 respondents, the data were aggregated and entered into the input-output system as a new industry - Baddeck tourism.

C. Results

1. Income

The respondents reported an aggregate gross revenue of $5.6 million in 1984. Of this total, some $2.5 million, or 45 percent of gross revenues, is estimated as incremental revenue due to tourism. For economic impact analysis purposes, the focus is on the household income generated by tourist activity in Baddeck.

Table 5 represents direct household income in Baddeck due to tourist activity, as well as the spinoff household income generated in Nova Scotia as a whole. Based on survey information, direct household income is estimated at $698,000, or nearly 28 percent of revenue due to tourism. This direct household income includes wages paid to employees, associated fringe benefits and profits to the operators. The survey indicates that on average, employees received take home pay of $186.50 per week.

Spinoff income is determined on the basis of the income multiplier generated by the input-output system. For Baddeck tourism, the income multiplier is a robust 2.84. This multiplier implies that for every dollar of direct household income created in Baddeck, another $1.84 of household income is generated as spinoff income throughout Nova Scotia. Hence, total household income of

nearly $2 million is generated in Nova Scotia as a result of tourist expenditures in Baddeck. The relatively large income multiplier is most likely a reflection of strong inter-industry linkages created by local sourcing of goods and services.

TABLE 5: Household Income Generated in Baddeck and Nova Scotia as a Result of Tourist Expenditures in Baddeck (1984)

Household Income[1] ($'000 1984)				Income[2] Multiplier
Direct	Indirect	Induced	Total	
698	772	512	1,982	2.84

[1] The direct household income is concentrated primarily in Baddeck, whereas the spinoff income is spread throughout the entire province.

[2] Derived from 1979 Nova Scotia Input-Output System.

Source: Nova Scotia Department of Development.

2. Employment

Survey respondents employed a total of 140 persons on a full time basis (person year) during operations in 1984. The incremental employment due to tourist activity in Baddeck is estimated to be 162 persons, largely seasonal employees. The survey indicates that 2,509 work weeks were created by tourist activity, with jobs lasting on average 15.5 weeks. In terms of full-time jobs, 48 person years, or 34 percent of total full-time employment, is incremental employment due to tourism.

Table 6 summarizes the employment impacts. As the table shows, the 48 person-years of direct employment created by tourism in Baddeck spin off another 17 person-years of employment throughout Nova Scotia for a total of 65 person-years of employment. The employment multiplier of 1.35 implies that for every direct person-year of employment created, another .35 person-years is generated elsewhere in the Province. The employment multiplier is of considerably less magnitude than the income multiplier due to the relatively low wages paid for direct employment. Hence, spinoff impacts are dampened.

TABLE 6: Employment Generated in Baddeck and Nova Scotia as a Result of Tourist Expenditures in Baddeck (1984)

Employment[1] (person-years)				Employment[2] Multiplier
Direct	Indirect	Induced	Total	
48	8	9	65	1.35

1 While most of the direct employment is generated in Baddeck, the indirect and induced employment is spread throughout the Province.

2 Derived from 1979 Nova Scotia Input-Output System.

Source: Nova Scotia Department of Development

V FUTURE TOURISM DEVELOPMENT

As a strength in the local economy, the tourism industry requires co-ordinated attention to further its growth and the economic growth of the village.

Future developments and activities that have been discussed or suggested, and that will contribute to promoting the region and attracting tourists include:

- Centre Bras d'Or
- recreational development of Kidston Island
- cruise ship visits to Baddeck
- waterfront development
- Mainstreet spruce up
- additional nightly attraction and entertainment
- additional festivals and day events
- extended winter activites

There is a general and undisputed consensus by key members of the community that the tourism industry is an integral and vital mainstay of the economy and that there exists good potential for growth in the industry. To further exploit the benefits of this industry, long range planning and co-ordination of effort by the various interested groups is necessary.

VI - Appendix A

Baddeck Tax Revenue Impacts

BADDECK TAX REVENUE IMPACTS

The relative importance of the tourist-related service sector to the municipal tax base of Baddeck is considerable and obvious to those familiar with the village's economy. The response rate for the business questionnaire was such that an accurate estimate of the total tourist-related contribution to Baddeck's commercial and business occupancy tax base is not possible. However, an indication of the relative contribution to the tax base is provided by the sample of 18 respondents.

Although not a true measure of economic impact, the contribution to municipal service sector taxes is determined by applying the incremental proportion of their revenues due to tourism to their total tax bill. On the basis of only those businesses that replied, out of total commercial and business occupancy tax billings of nearly $80,000, some $67,000, or 84 percent, of the assessment is attributable to incremental tourist-related activity. Though the result is not generalized to the level of the village as a whole, the indication is that businesses involved in tourist activity are important contributors to the fiscal heath of Baddeck.

VII - Appendix B

Baddeck Tourism Impact Study

Business Questionnaire

CONFIDENTIAL WHEN COMPLETED

DEPARTMENT OF DEVELOPMENT
BADDECK
TOURISM IMPACT STUDY
BUSINESS QUESTIONNAIRE

1. Name of Establishment _____

2. Type of Establishment _____

3. Is the Establishment: seasonal _____ year-round _____

4. (Purchases): Please detail for 1984, by major item, the total annual costs incurred by the establishment (including wages and salaries and taxes). For each expenditure item indicate origin as one of:
   - local - purchased from local distributor
   - other N.S. - purchased from other N.S. distributor
   - import - direct import from out of Province

Type of Purchase	Expenditure($)	Origin (local/other N.S./ import)

Total Expenditure _____

5. (Sales): What would be your peak sales months (please list in descending order)?

_____

_____

6. What would you define to be your tourist season (month-to-month)? _____

7. (Revenue): What was your total gross revenue in 1984? $_____

8. What was the gross revenue in 1984 for your tourist season defined in question 6? $_____ (note: if dollar amount not known please estimate percent of total revenue)?

9. In comparison to 1984, do you anticipate business will increase or decrease over the 1985 tourist season?
increase/decrease _____ by what percent _____

Employment

10. What level of employment do you maintain outside of the tourist season specified in question 6?
full-time _____ part-time_____

11. Are these same people employed during the tourist season? Yes _____ No _____

12. How many additional people do you employ during the tourist season above your base level of employment? (Please attach extra sheet if necessary)

	Duration of Employment (weeks)	Weekly Wage ($)
Employee 1	_____	_____
Employee 2	_____	_____
Employee 3	_____	_____
Employee 4	_____	_____
Employee 5	_____	_____

13. (Bus Tours): Have bus tours made a significant impact on your business? Yes ____ No ____

14. How many bus tours would you see in a year? _____

15. What percentage of your business would you attribute to bus tours? _____%

16. (Origin of tourists): Please indicate in percentage terms, to the best of your knowledge, the geographic origin of your visitors

Nova Scotia	_____
New Brunswick	_____
P.E.I.	_____
Ontario	_____
Quebec	_____
Other Canada	_____
U.S.A.	_____
Other	_____
Total	100%

17. (Attitudes): How do you think the community views tourism?

Primarily positive _____
Primarily negative _____
Mixed _____
Additional comments: _____
_____

18. How do you view local development controls on tourist establishments?

Primarily positive _____
Primarily negative _____
Neutral _____

19. Does your business do any target marketing?
Yes _____ No _____

20. In the absence of tourists, would your business be viable?
Year round _____
Seasonally _____

21. Do you have any additional comments on the impact of tourists on your business or the community?

_____
_____
_____
_____
_____
_____

22. What steps do you think are necessary to extend the length of the tourist season and to stimulate longer stays by tourists? _____
_____
_____
_____
_____

(Thank you for your cooperation)